

[108H2888]

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(Original Signature of Member)

109TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to deny employers a deduction  
for payments of excessive compensation.

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**IN THE HOUSE OF REPRESENTATIVES**

Mr. SABO introduced the following bill; which was referred to the Committee  
on \_\_\_\_\_  
\_\_\_\_\_

**A BILL**

To amend the Internal Revenue Code of 1986 to deny em-  
ployers a deduction for payments of excessive compensa-  
tion.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Income Equity Act  
5       of 2005”.

1 **SEC. 2. DENIAL OF DEDUCTION FOR PAYMENTS OF EXCES-**  
2 **SIVE COMPENSATION.**

3 (a) IN GENERAL.—Section 162 of the Internal Rev-  
4 enue Code of 1986 (relating to deduction for trade or busi-  
5 ness expenses) is amended by inserting after subsection  
6 (h) the following new subsection:

7 “(i) EXCESSIVE COMPENSATION.—

8 “(1) IN GENERAL.—No deduction shall be al-  
9 lowed under this chapter for any excessive com-  
10 pensation with respect to any full-time employee.

11 “(2) EXCESSIVE COMPENSATION.—For pur-  
12 poses of this subsection, the term ‘excessive com-  
13 pensation’ means, with respect to any employee, the  
14 amount by which—

15 “(A) the compensation for services per-  
16 formed by such employee during the taxable  
17 year, exceeds

18 “(B) an amount equal to 25 times the low-  
19 est compensation for services performed by any  
20 other full-time employee during such taxable  
21 year.

22 “(3) DEFINITIONS AND SPECIAL RULES.—For  
23 purposes of this subsection—

24 “(A) COMPENSATION.—

1 “(i) IN GENERAL.—The term ‘com-  
2 pensation’ means salary, wages, and bo-  
3 nuses.

4 “(ii) INCLUSION OF NONCASH BENE-  
5 FITS.—The term ‘compensation’ includes  
6 any remuneration (including benefits) in  
7 any medium other than cash, but shall not  
8 include—

9 “(I) any payment referred to in  
10 so much of section 3121(a)(5) as pre-  
11 cedes subparagraph (E) thereof, and

12 “(II) any benefit provided to or  
13 on behalf of an employee if at the  
14 time such benefit is provided it is rea-  
15 sonable to believe that the employee  
16 will be able to exclude such benefit  
17 from gross income under this chapter.

18 “(iii) PART-YEAR EMPLOYEES.—In  
19 the case of any part-year employee, the  
20 compensation of the employee shall be  
21 computed on an annualized basis.

22 “(B) EMPLOYER.—All persons treated as a  
23 single employer under subsection (a) or (b) of  
24 section 52 or subsection (m) or (o) of section  
25 414 shall be treated as 1 employer.”.

1       (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to taxable years beginning after  
3 the date of the enactment of this Act.